



# **RESIDENTIAL COMMUNITIES INITIATIVE (RCI)**

## **RCI PROGRAM UPDATE AT HAWAII INDUSTRY FORUM**

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Headquarters, Department of the Army**

**August 28, 2002**



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## **THE PROBLEM**

### **ACUTE PROBLEMS IN ARMY FAMILY HOUSING**

- **Chronic underfunding** ➡ **\$6B revitalization backlog**
- **Inadequate conditions** ➡ **>70% of houses need renovation or replacement**
- **Deficit -- inadequate on / off-post housing** ➡ **\$1B deficit backlog**



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# **BACKGROUND -- \$7B BACKLOG OF WORK**

## **ACUTE PROBLEMS IN ARMY FAMILY HOUSING**





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## **RCI CONGRESSIONAL AUTHORITIES**

### **1996 FINANCIAL / OTHER AUTHORITIES**

- Direct loans at below market rates
- Mortgage guarantees against base closure, downsizing, extended deployments
- Subsidized rents if required for financial feasibility
- Investment in development entities (e.g., limited partnerships, etc.)
- Use local market standards, ground leases and development rights
- Build ancillary neighborhood facilities

### **AUTHORITIES / RESTRICTIONS ADDED SINCE 1996**

- Allowed school construction and local / state housing authorities to participate
- Precluded competition with AAFES, DeCA, and MWR activities
- Provided direction on provision of utilities / services and reimbursement
- Extended legislation to December 31, 2012



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# THE SOLUTION -- RCI PROGRAM

- **GOAL -- Eliminate inadequate Family Housing in the U.S. by 2007**
- **OBJECTIVES**
  - Eliminate \$6B backlog of revitalization and \$1B deficit backlogs
  - Create world class, quality residential communities
  - Leverage assets / scarce funds
  - Obtain private sector expertise, creativity, innovation, capital
- **VISION**
  - All on-post housing areas
  - Integrated on installation
  - World-class partners
  - Reasonable profits
  - Incentive-based fees





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# SHIFT FROM MILITARY CONSTRUCTION TO RCI

## **FROM**

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- RFP
- Occupant
- House
- Director of Public Works
- Contractor
- Cost
- Piecemeal plans / execution

## **TO**

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- RFQ
- Resident
- Neighborhood / community
- Community manager
- Partner
- Value
- Comprehensive plan / execution



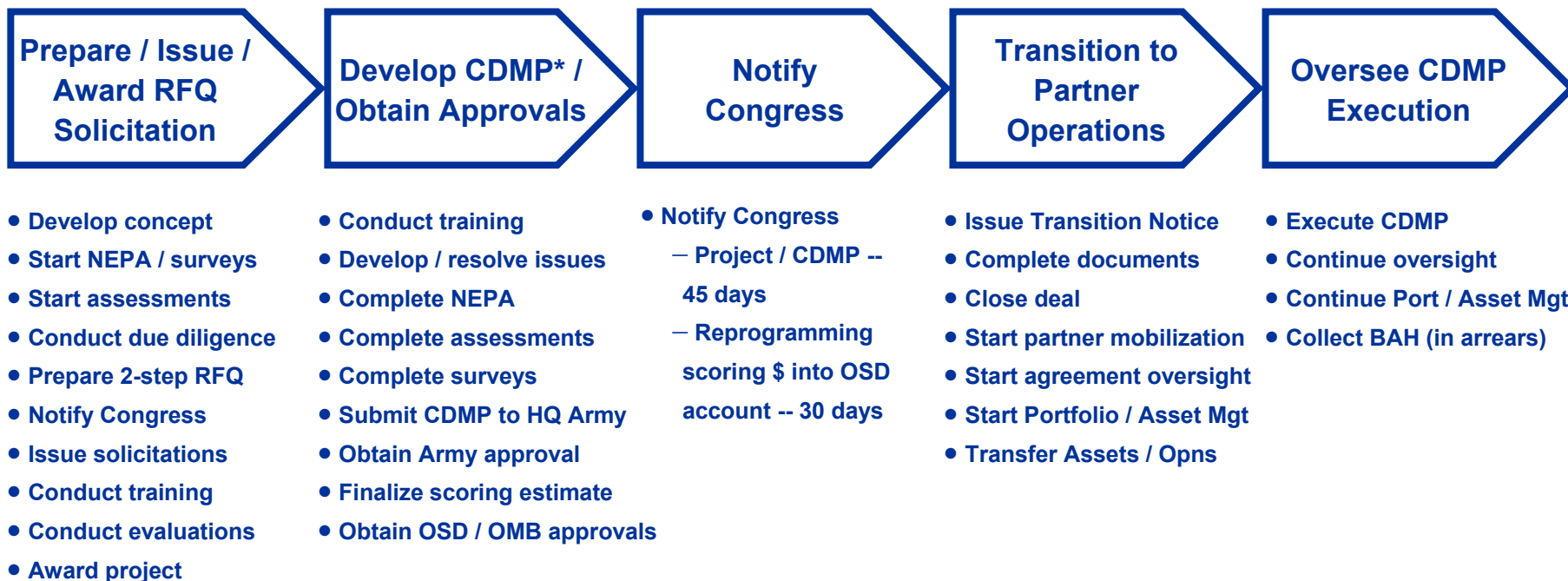
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# RCI PROCESS

## PROJECT CONCEPT TO TRANSFER



\* Community Development and Management Plan

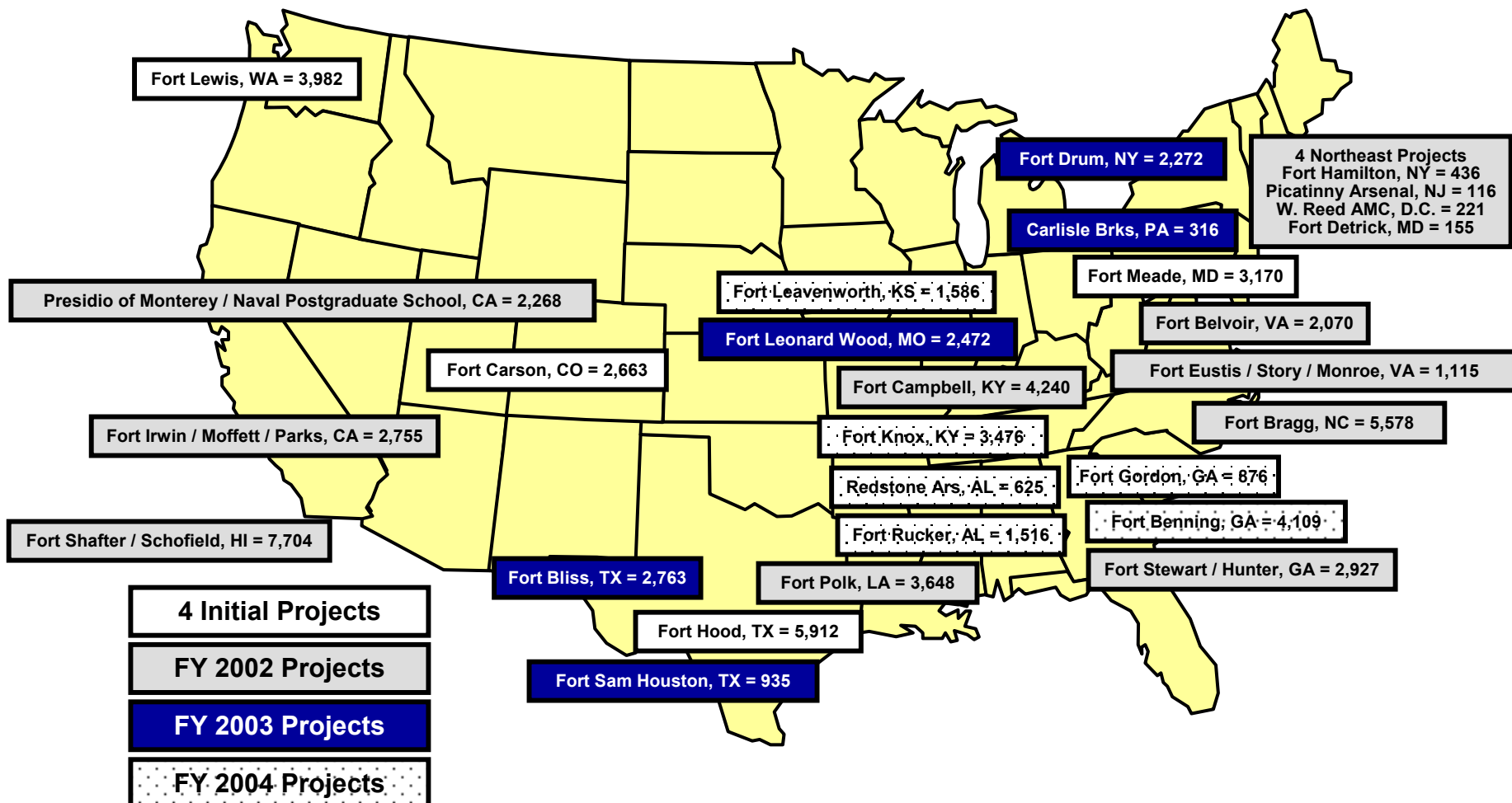


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# TOTAL PROGRAM = 28 PROJECTS (69,906 HOMES)

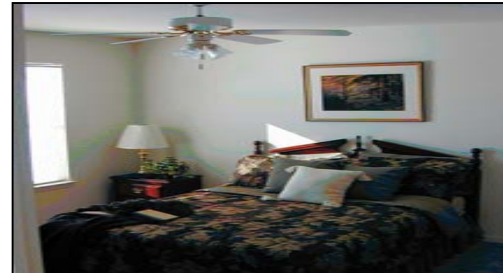
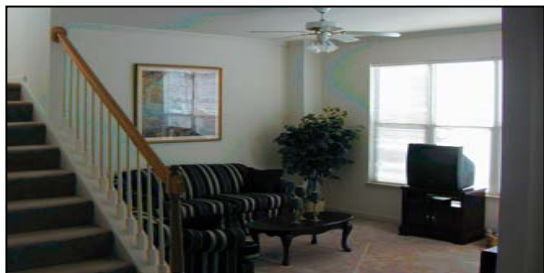




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# FORT CARSON DEVELOPMENT





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# FORT HOOD RENDERING



## OPEN SPACE CORRIDOR



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# FORT HOOD RENDERING





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# FORT LEWIS RENDERING TOWN CENTER





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# FORT LEWIS RENDERING





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# FORT MEADE RENDERING



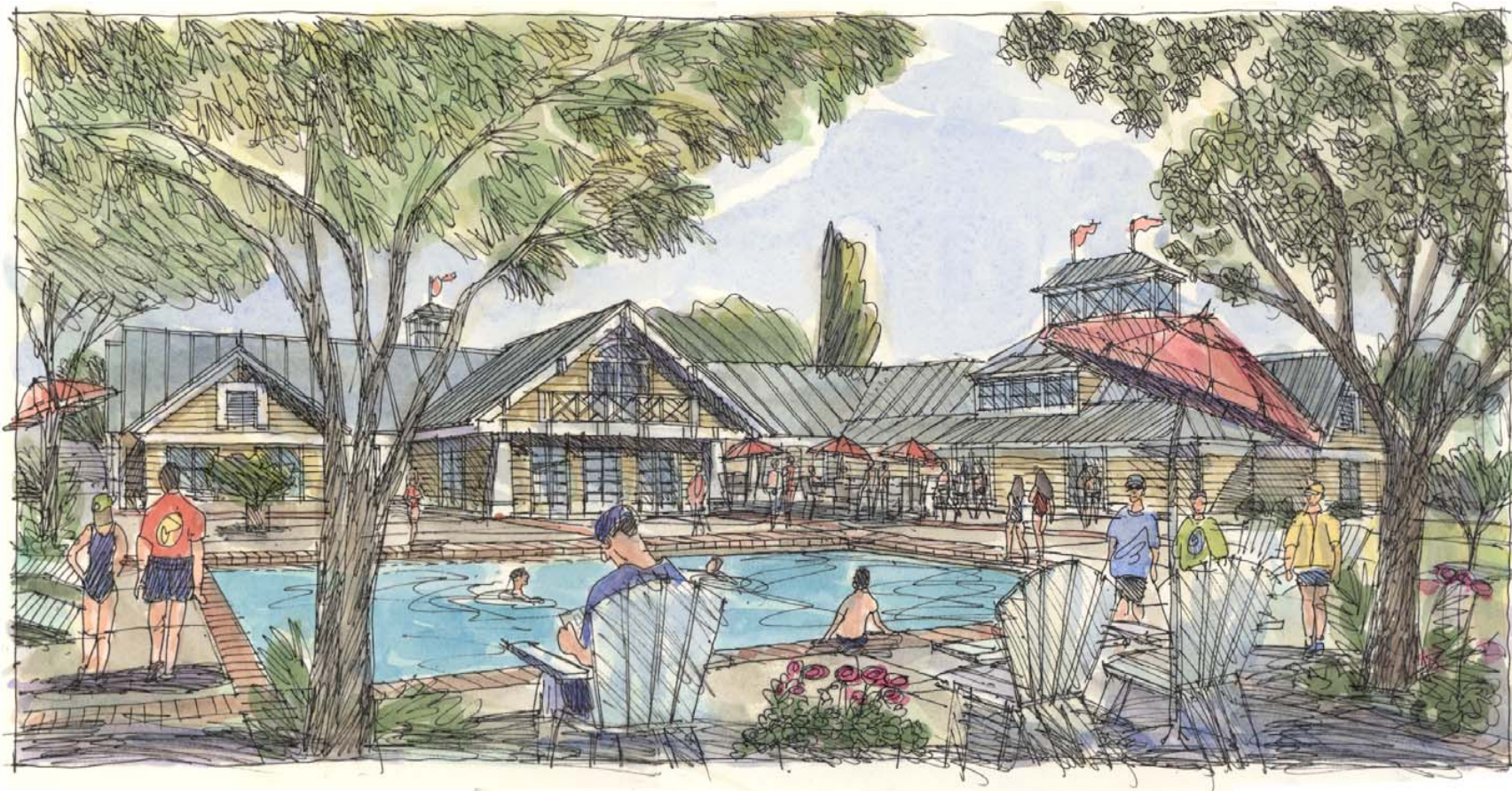
## TOWNHOMES FOR JR ENLISTED FAMILIES



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# FORT MEADE RENDERING



## NEIGHBORHOOD CENTER POOLSIDE OF CAPE / SEASIDE THEME



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# **HAWAII SPECIFICS (TENTATIVE)**

- **Total family requirement (on / off post) 11,412**
- **On-Post family housing inventory 7,704**
- **Project goal -- eliminate inadequate housing 1<sup>st</sup> 10 years of project**
- **Milestones**
  - **RFQ CBD announcement of project September 2002**
  - **Issue Administrative Minimums (AMs) October 2002**
  - **RFQ Issued to those who meet AMs November 2002**
  - **RFQ Closes January 2003**
  - **CDMP Awarded May 2003**
  - **CDMP / Project to Congress December 2003**
  - **Transfer of Assets / Operations May 2004**



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# **BUSINESS OPPORTUNITIES**

## **WHAT MAKES THESE DEALS ATTRACTIVE**

- **High demand for on-post housing**
- **Alignment of the developer's and Government's goals**
  - Established, shared vision/trust
  - Structured, long-term partnership agreement / relationship
- **Availability of financial / other authorities**
- **Flexible project that holds assurances for developer / Government**
  - "Profit" is no longer a bad word
  - Shared risks and rewards



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# **BUSINESS OPPORTUNITIES**

## **SMALL / DISADVANTAGED BUSINESS PARTICIPATION**

### **Planning / Development | CDMP Process**

- Real Estate Appraisals
- Land Surveys
- Building Surveys
- Environmental Assessments
- Professional Planning and Design Services

### **CDMP Implementation**

- Construction
- Property Management
- Land Surveys
- Building Surveys
- Building / Infrastructure Maintenance

- **Involvement in 50-year, multi-\$B projects:** construction trades; service providers; material suppliers; landscaping; information technology; legal; advertising / promotion; asset management
- **~70% of all costs / expenses go to local (large / small) businesses**



## **LESSONS LEARNED FOR RCI BIDDERS**

- **Be realistic in your promises regarding scope**
- **Expect to follow Davis-Bacon**
- **Assume that the debt must be competed**
- **Provide scope eliminating all inadequate units 1<sup>st</sup> 10 years of project**
- **Be aware of DoD / Army utility policy -- it is a given**
  - **Soldiers will ultimately pay for gas, oil and electricity (from within BAH)**
  - **Other utilities (plus common areas / vacant units) will be paid by project**
- **Be explicit on cash flow waterfall / splits, equity definition, fees, ROE, windfall profits, exit strategies / withdrawal events, etc.**
- **Provide a 50-year project pro forma with assumptions explicit**
- **Be aware that successful Army housing privatization projects depend on aligning Army and private sector objectives**
  - **Selecting best partner and establishing a shared vision**
  - **Structuring long-term "partnership" agreement**



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## **ITEMS OF INTEREST / CHALLENGES**

- **These are complex / multi-\$B deals -- we need to get it right, not fast**
- **Congress continues to be heavily involved in the program -- need to be sensitive to local / Federal official and unofficial contacts / queries**
- **Requirements determination is an ongoing issue**
- **Environmental / school / historic property issues continue**
- **Utility policies easy to establish -- harder to actually implement**
- **Impact of utilities privatization must be made early-on**
- **Army is testing a tax exempt financing project at Redstone Arsenal**
- **Unaccompanied housing privatization starting in Army**
- **There are many stakeholders / agendas -- need to coordinate efforts**



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# **ASSESSMENT OF RCI**

- **Fixes family housing in U.S.**
- **Leverages private business practices:**
  - Obtains private sector expertise / capital to solve housing problems
  - Eliminates the \$6B revitalization and \$1B deficit backlogs
- **Shifts focus from "Houses" to "Quality Residential Communities"**
- **Streamlines procurement process**
- **Positive results at 1<sup>st</sup> 7 sites (Carson, Hood, Lewis, Meade, Bragg, Presidio of Monterey / Naval Postgraduate School, and Campbell)**
  - Will eliminate inadequate housing at these 7 sites
  - Will turn \$172M of Army investment into \$2.3B of initial, private development
- **Accelerates 21 additional sites FY 2002-2004; more FY 2005-out**
- **Allows for more competition and local / small business participation**
- **Increases well-being of close to 70,000 soldiers and their families**



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# **OUR MILITARY PROTECTING THE AMERICAN DREAM**

***RCI ALLOWS THE MILITARY FAMILY TO LIVE THAT DREAM***



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